

Recommendations for Revisions to the Uniform Per Student Funding Formula

**Submitted by the State Education Office
to the Mayor and Council of the District of Columbia**

October 4, 2005

A. Introduction and Background

By law, the State Education Office (SEO) has a responsibility to conduct education cost studies and to make periodic recommendations for needed revisions to the Uniform Per Student Funding Formula of the District of Columbia. Based on the findings of three cost studies commissioned by the State Education Office, deliberations of the Technical Working Group, advice from other sources, and internal analysis, the SEO submits the following recommendations for revisions to the Uniform Per Student Funding Formula.

The following is a brief summary of the SEO's recommended revisions to the Funding Formula. The recommendations are presented in detail in the next section of this document. The State Education Office recommends that—

- The foundation level be increased from the proposed Fiscal Year 2007 level of \$7534 to \$8002 for FY 2007 and beyond.
- Certain grade level weights be adjusted to better reflect actual grade level costs.
- The add-on weights for special education levels 1 – 4 be adjusted to a level where, in combination with the revised foundation amount, they accurately reflect the costs of providing high quality services that satisfy all student IEP requirements.
- A study be conducted and a procedure developed for an alternative way to fund high intensity services for special education students with severe or multiple disabilities.
- The provisions of certain unintentionally expired temporary and emergency amendments to the Uniform Per Student Funding Formula be restored or restored with revisions, and that certain other language changes be made to the Formula in order to clarify definitions or improve the management of the Formula.

These recommendations are intended for application in the FY 2007 budget development process for the District of Columbia Public Schools and public charter schools. The State Education Office has consulted with the Funding Formula Technical Working Group regarding the issues addressed by these recommendations and has sought, received and considered Working Group members' comments on the actual recommendations.

Since Recommendations 1, 2, and 3 are calibrated to work in combination to produce adequate funding levels, they should be considered as an interrelated package. In the

event that the foundation level used for the budget is significantly different, our recommendations for the weightings would need to be revised.

B. Recommended Revisions to the Uniform Per Student Funding Formula

Recommendation # 1: It is recommended that the Uniform Per Student Funding Formula foundation level for Fiscal Year 2007 and subsequent years be set at \$8002.

Rationale: The most recent change in the Uniform Per Student Funding Formula, based on the results of a systematic “common practice” cost study, occurred in FY 2003. The change was based on a cost study commissioned by the State Education Office and completed in 2001. Since then the foundation level has been increased annually; however, it has not kept pace with the rate of inflation.

An update of the 2001 common practice study, commissioned by the SEO and based on FY 2005 student enrollment, consumer price index data, and assumptions underlying current policy and practice, found that a foundation level of at least \$7528 was indicated for 2005. On March 31, 2005, the SEO convened a meeting of the Technical Working Group to review the findings of the new common practice study.

The SEO—based on its own research and input from the Technical Working Group—has determined that it is reasonable to use the findings of the FY 2005 study as the basis for making projections for 2007 and future years. In order to project the foundation level forward to FY 2007, the proposed FY 2005 level was increased by 3.1 percent (the rate of inflation most recently used by the Office of the Chief Financial Officer) for each of the two intervening years. This resulted in a projected foundation level of \$8002 for FY 2007.

The recommended foundation level for 2007 does not include special provisions for teacher salary increases, since salary negotiations are yet to be completed. If resulting teacher salary increases cannot be accommodated within the 9.51 percent foundation level increase over FY 2006, the recommended foundation level may need to be adjusted upward.

Fiscal Impact: The total fiscal impact of the proposed change in the UPSFF foundation level and funding formula weights, as described in Recommendations 1, 2, and 3, is anticipated to be approximately \$41 million. Fiscal Impact sheets are attached. A revised fiscal impact statement will be submitted by December 1, 2005.

Recommendation # 2: It is recommended that the grade level weightings in the Uniform Per Student Funding Formula be changed as displayed in the table below.

The final column of the following table lists the revised grade level weights recommended by the State Education Office for FY 2007 and beyond. The table compares the recommended weights to those currently in effect, as well as to the weights generated by the FY 2005 Common Practice Cost Study, which were used to determine the revised foundation level.

Grade Levels	Current FY 2006 Weights	Study Generated Weights	Recommended FY 2007 Grade Level Weights
Pre-School/Pre-Kindergarten	1.17	1.16	1.16
Kindergarten	1.03	1.16	1.16
Grades 1-3	1.03	1.04	1.03
Grades 4-5	1.00	1.01	1.00
Ungraded ES	1.03	1.04	1.03
Grades 6-8	1.03	1.00	1.00
Ungraded Middle Sch/Jr High	1.03	1.00	1.00
Grades 9-12	1.17	1.14	1.17
Ungraded Senior High School	1.17	1.14	1.17
Alternative School	1.30	1.23	1.23
Special Education School	1.17	1.14	1.17
Adult	0.75	0.75	0.75

Rationale: A first step in conducting the FY 2005 Common Practice Cost Study to determine an adequate foundation level consisted of calculating the per pupil costs of providing adequate general education services at each grade level. The grade level amounts generated by the study suggest the need for revisions to several of the grade level weights.

The revised grade level weights being considered for recommendation by the SEO correspond to the study findings in some cases, but remain unchanged from the current weights in others. The reasons some of the proposed recommendations differ from study findings include:

1. When the difference between the current and the study generated weight was no more than one percent, it was not recommended for change, although one exception was made in order to keep the weights for Pre-School/Pre-K and Kindergarten at the same level.
2. Grades 9 – 12 were continued at the current slightly higher weight of 1.17 because high school reform is a priority locally, as well as nationally, and because locally and across much of the nation, elementary and middle

school test scores are showing continuous improvement, whereas high school performance trends are flat and often declining.

3. The Special Education School weight was recommended to continue at 1.17 because DCPS is attempting to create within the school system suitable placements for special education students now being served through contracts for placements in programs outside the District. The costs of creating high quality special education schools within DCPS or as a public charter school will require at least the current level of adjusted foundation funds.

Recommendation # 3: It is recommended that the add-on weights for Special education Levels 1 – 4 for FY 2007 and beyond be set as displayed in the “Recommended” column of the comparison table below. (No recommendation is being made for special education Level 5 at this time.)

The following table compares the current Level 1 – 4 add-on weights to the add-on weights recommended for FY 2007, as well as the per pupil dollar amounts generated by each.

Special Education Service Level	Based on FY 2006 Foundation of \$7307		Based on FY 2007 Foundation of \$8002	
	FY 2006 Add-On Weights	FY 2006 Per Pupil Amounts	Recommended FY 2007 Add-On Weights	Resulting FY 2007 Per Pupil Amounts
Level 1	0.55	\$ 4,019	0.54	\$ 4,321
Level 2	0.85	6,211	0.82	6,562
Level 3	1.50	10,961	1.41	11,283
Level 4	2.70	19,729	2.47	19,765

Note: Re-examination of the per student weight for special education Level 5 (residential placement) was not included in the FY 2003 Special Education Services Cost Study. Therefore, the funding for Level 5 students will continue to be determined by the current weight until a study of alternative ways to fund high intensity, low incidence special education students can be completed (see Recommendation # 4).

Rationale: It is important that the Funding Formula provide sufficient funds to support a high quality program that assures delivery of all services specified by the Individual Educational Plans (IEP) of all special education students. SEO studies cited as background data for the preparation of this recommendation have calculated the average per pupil cost of providing all IEP-required services at each special education level (Levels 1 – 4).

When the foundation level of the Formula is changed as proposed in Recommendation # 1, it becomes essential to also adjust the special education add-on weights so that they continue to deliver the correct funding for the

delivery of special education services as required by student IEPs. Based on the calculations of the FY 2005 Special Education Formula Funding Analysis, the recommended increase in the foundation level would cause the current special education add-on weights for Levels 1 – 4, unless they are correspondingly adjusted downward, to deliver more funding in FY 2007 than would be needed to satisfy the requirements of student IEPs. This recommendation will adjust the Level 1 - 4 add-on weights to a level where they will fully satisfy but not exceed the needed funding.

The Common Practice Study summarized in the accompanying report has found that in FY 2005, Level 1 and 2 students are slightly under funded by about \$200 per student and \$150 per student respectively. Level 3 is slightly over funded by \$60 per student and Level 4 is over funded by a little more than \$2,000 per student. The recommended adjustment of special education add-on weights has been calculated so that it will also correct for this problem of over-funding low occurrence, high cost students and under-funding the high occurrence, low cost students.

In order to correct for the over-funding of special education Level 4 and the recommended increase in the FY 2007 foundation amount, the FY 2005 Special Education Formula Analysis indicated that the add-on weight for Level 4 should be set at 2.21 for FY 2007. However, this change would generate a lower per-pupil amount than went to schools in FY 2006.

Therefore, in order to maintain the per pupil funding amount for Level 4 at its current level, an add-on weight of 2.47 is recommended for FY 2007. This will maintain continuity of funding until a planned study of alternative funding mechanisms for special education is completed this year and further recommendations can be made.

Recommendation # 4: It is recommended that an alternative be sought to the current method of funding the cost of high intensity services for special education students with severe or multiple disabilities. To that end, it is recommended that the State Education Office be directed to conduct the necessary studies and prepare and submit to the Mayor and the D.C. Council by September 30, 2007, a practical and fiscally prudent design for funding such costs.

Rationale: Special education add-on weights for the Uniform Per Student Funding Formula are established by first completing an analysis of what it should cost to provide services of high quality that fully comply with all IEP provisions for all special education students in given category, for example, Level 4. From this total, the average per pupil cost is calculated and, in turn, converted to a Formula weight for the category.

Funding schools based on average costs works well when there are many students in a category or when the range of costs clusters around the mean. When the

number of students in a category is small or when there are extremes in the cost of services, there is the potential of seriously under-funding a school that has the responsibility of serving many, a few, or even one student whose disability requires high intensity services, for example, an autistic child.

Providing high quality services to students with serious or multiple disabilities is costly. However, if the District of Columbia is to be successful in bringing back into DCPS or public charter schools a significant number of special education students needing high intensity services, a way needs to be found to allow the funding formula to pay for such services at a fair rate that covers their actual cost.

Fiscal Impact: Not possible to predict until alternative is selected.

Recommendation # 5: It is recommended that the District of Columbia Official Code (2001 Edition), Division VI, Title 38, Subtitle X, Chapter 29 (The Uniform Per Student Funding Formula) be amended as indicated in an accompanying report, titled *Amending the Uniform Per Student Funding Formula Legislation to Close the Gaps Created by Expired Emergency and Temporary Amendments: Report to the Mayor and the Council of the District of Columbia*.

Rationale: Since it first became part of the DC Code, the law setting forth the provisions of the Uniform Per Student Funding Formula has been amended frequently. Often amendments took the form of emergency or temporary legislation; in many cases such amendments, though still needed, were allowed to expire. During the past year the SEO, assisted by the UPSFF Technical Working Group, has conducted a systematic review of all expired amendments related to the Formula, examining which expired provisions are no longer needed, which should be restored, and which should be restored with revisions. Several of these expired amendments deal with management of the formula, and their restoration as recommended here would clarify definitions, reduce ambiguities, and lead to more uniform management practices.

The attached document contains all the language changes needed to implement this recommendation. Each proposed change is shown inserted into the appropriate subsection and line of Title 38, Chapter 29, The Uniform Per Student Funding Formula for Public Education.

Fiscal Impact: The fiscal impact of these changes should be minimal.